

**AMENDMENT TO COMMITTEE PRINT OF
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**OFFERED BY MR. LEACH, MR. LAZIO, AND MR.
McCOLLUM**

Page 3, line 19, strike “interfere in private markets”
and insert “displace or compete with the private insur-
ance or reinsurance markets or capital markets”.

Page 4, line 15, after “that are” insert the follow-
ing:

- 1 (1) in the case only of a contract under section 6, insured
- 2 by the eligible State program purchasing the contract, and
- 3 (2)

Page 4, lines 17, 18, and 20, strike “(1)”, “(2)”,
and “(3)” and insert “(A)”, “(B)”, and “(C)”, respec-
tively.

Page 8, strike lines 17 through 24 and insert the
following new paragraph:

- 4 (3) RETAINED LOSSES REQUIREMENT.—The
- 5 contract shall pay eligible losses only if the total
- 6 amount of insurance claims for losses, which are
- 7 covered by qualified lines, occur to properties located

1 within the State covered by the contract, and result
2 from a single event of a covered peril, exceeds the
3 amount of retained losses provided under the con-
4 tract (pursuant to section 8(a)) purchased by the eli-
5 gible State program.

Page 9, line 8, strike “paid” and insert “reported to
the eligible State program”.

Page 12, strike lines 1 through 9 and insert the fol-
lowing new paragraph:

6 (9) EXHAUSTION OF COVERAGE.—
7 (A) IN GENERAL.—Each contract shall
8 provide that, if during the term of the contract
9 the coverage under the contract is exhausted
10 because of payment for losses from a covered
11 event, the covered purchaser shall, during the
12 15-day period beginning upon the covered event
13 that causes exhaustion of the coverage under
14 the original contract, have an option to make a
15 single purchase of similar coverage for the re-
16 maining term of the contract under terms and
17 conditions similar to the original contract, but
18 reflecting a new loss cost estimate and at a cost
19 prorated based upon the remaining term.

1 (B) DISCRETION.—To facilitate making
2 available contracts pursuant to the exercise of
3 options under subparagraph (A), the Secretary
4 may make—

5 (i) any estimates and determinations
6 that may be necessary regarding whether
7 coverage under a contract is exhausted and
8 the amount of losses retained by a State
9 program;

10 (ii) any estimates and assumptions
11 necessary to establish the price, terms, and
12 conditions of a contract provided pursuant
13 to such an option; and

14 (iii) any subsequent adjustments to a
15 contract provided pursuant to the exercise
16 of such an option (including cancellation of
17 the contract) to conform the price, terms,
18 and conditions in accordance with findings
19 by the Secretary regarding issues pre-
20 viously estimated and assumed by the Sec-
21 retary pursuant to clause (ii).

Page 12, line 11, after “necessary” insert “to carry
out this Act and”.

Page 12, after line 13, insert the following new sub-section:

1 (c) PRICE GOUGING PROTECTIONS.—Notwithstand-
2 ing any other provision of this section, a State-operated
3 program that otherwise meets the requirements of this
4 section shall be eligible to purchase a contract under this
5 section for reinsurance coverage made available under this
6 Act only if the Secretary determines that there are in ef-
7 fect, in such State, laws or regulations sufficient to pro-
8 hibit price gouging, during the term of such reinsurance
9 coverage, in any disaster area located within the State.

Page 12, lines 24 and 25, strike “any other entities having insurance exposure” and insert “other interested entities”.

Page 13, line 4, strike “but not more than 8”.

Page 13, line 6, strike “the State” and all that follows through the period on line 9 and insert the following:

10 all or part of the State of California and all or part
11 of the State of Florida.

Page 13, strike line 11 and all that follows through page 14, line 16 (and redesignate succeeding paragraphs and any references to such paragraphs, accordingly).

Page 15, after line 13, insert the following new paragraph:

1 (5) OTHER REQUIREMENTS.—The Secretary
2 may establish such other requirements for the auc-
3 tion program as the Secretary considers necessary to
4 carry out this Act.

Page 15, line 21, after “transferable” insert “, assignable,”.

Page 15, strike line 24 and all that follows through page 16, line 12, and insert the following new paragraph:

5 (4) THRESHOLD OF COVERAGE.—Each contract
6 auctioned in a region established under subsection
7 (a)(2) shall provide that the covered purchaser, or
8 any subsequent holder or holders of the contract,
9 may receive a payment for losses covered under the
10 contract if, under a process specified in the contract,
11 the Secretary determines that the insurance industry
12 will, as a result of a single event of a covered peril,
13 incur losses within the coverage area for such region

1 that are covered by one or more lines of insurance
2 under section 5 in an aggregate amount, for such
3 event, greater than the level of retained losses speci-
4 fied in section 8.

Page 16, after line 15, insert the following:

5 (6) OTHERS.—The contract shall contain such
6 other terms as the Secretary considers necessary to
7 carry out this Act and to ensure the long-term fi-
8 nancial integrity of the program under this Act.
9 (c) PRICE GOUGING PROTECTIONS.—Notwithstand-
10 ing any other provision of this section, a contract for rein-
11 surance auctioned under this section shall provide reinsur-
12 ance coverage only for losses incurred for property located
13 in a State for which the Secretary of the Treasury has
14 determined that there are in effect, in such State, laws
15 or regulations sufficient to prohibit price gouging, during
16 the term of such reinsurance coverage, in any disaster
17 area located within the State.

Page 16, line 22, after “losses” insert “from a single
event of a covered peril”.

Page 17, line 6, after “losses” insert “from a single
event of a covered peril”.

Page 17, line 16, strike “and” and insert “or”.

Page 18, line 10, strike “and” and insert “or”.

Page 19, line 1, after the semicolon insert “or”.

Page 19, line 15, strike “the growth in” and insert
“changes to the”.

Page 19, line 17, strike “the growth of capacity in”
and insert “changes in the capacity of”.

Page 19, after line 18, insert the following (and re-
designate succeeding paragraphs and any references to
such paragraphs, accordingly):

1 In making any determination under this paragraph
2 in the minimum level of retained losses, the Sec-
3 retary shall establish such level at an amount such
4 that the program under this Act for making reinsur-
5 ance coverage available does not displace or compete
6 with the private insurance or reinsurance markets or
7 capital markets, as determined by the Secretary.

8 (3) REDUCTION FOR CONTRACTS FOR ELIGIBLE
9 STATE PROGRAMS.—

10 (A) AUTHORITY TO REDUCE.—Notwith-
11 standing subparagraphs (A) and (B) of para-

1 graph (1) or the terms contained in a contract
2 for reinsurance pursuant to such subpara-
3 graphs, if the Secretary determines that the
4 claims-paying capacity of an eligible State pro-
5 gram has been reduced because of payment for
6 losses due to an event, the Secretary shall re-
7 duce the minimum level of retained losses for
8 the State commensurate with the current capac-
9 ity of the State program, as determined by the
10 Secretary, but in no case may such minimum
11 level be less than \$2,000,000,000.

12 (B) TERM OF REDUCTION.—If the mini-
13 mum level of retained losses for an eligible
14 State program is reduced pursuant to subpara-
15 graph (A), upon the expiration of the 5-year pe-
16 riod beginning upon such reduction the mini-
17 mum level of retained losses applicable to such
18 State program under a contract for reinsurance
19 coverage under section 6 shall be increased to
20 an amount not less than the amount applicable
21 to such State program immediately before such
22 reduction.

Page 22, line 4, strike “90 percent” and insert “50
percent”.

Page 22, strike line 9 and all that follows through
page 23, line 6, and insert the following:

1 Secretary may increase the percentage based
2 upon the Secretary's determination of the ca-
3 pacity of the private market, except that such
4 increase shall not take effect until a report
5 under paragraph (3) is submitted to the Con-
6 gress.

7 (3) REPORTING.—If the Secretary makes a de-
8 termination under paragraph (2)(B), the Secretary
9 shall submit a report to the Congress containing in-
10 formation verifying transactions in the private mar-
11 ket that demonstrate the change in the capacity of
12 such market.

13 (4) PAYOUT.—For purposes of this subsection,
14 the amount of payout from a reinsurance contract
15 shall be the amount of eligible losses (as determined
16 under sections 6(b) and 7(b) and this section) multi-
17 plied by the percentage in effect at the time under
18 paragraph (2).

Page 24, strike lines 14 through 24 and insert the
following new subsection:

19 (d) BORROWING.—

1 (1) AUTHORITY.—To the extent that the
2 amounts in the Fund are insufficient to pay claims
3 and expenses under subsection (c), the Secretary
4 may issue such obligations of the Fund as may be
5 necessary to cover the insufficiency and shall pur-
6 chase any such obligations issued.

7 (2) PUBLIC DEBT TRANSACTION.—For the pur-
8 pose of purchasing any such obligations, the Sec-
9 retary may use as a public debt transaction the pro-
10 ceeds from the sale of any securities issued under
11 chapter 31 of title 31, United States Code, and the
12 purposes for which securities are issued under such
13 chapter are hereby extended to include any purchase
14 by the Secretary of such obligations under this sub-
15 section.

16 (3) CHARACTERISTICS OF OBLIGATIONS.—Obli-
17 gations issued under this subsection shall be in such
18 forms and denominations, bear such maturities, bear
19 interest at such rate, and be subject to such other
20 terms and conditions, as the Secretary shall deter-
21 mine.

22 (4) TREATMENT.—All redemptions, purchases,
23 and sales by the Secretary of obligations under this
24 subsection shall be treated as public debt trans-
25 actions of the United States.

Page 25, strike lines 4 through 7 (and redesignate succeeding subparagraphs and any references to such subparagraphs, accordingly).

Page 26, strike lines 12 through 18 and insert the following new subsection:

1 (c) MEMBERS.—The Commission shall consist of not
2 more than 11 members, who shall be appointed by and
3 at the discretion of the Secretary, except that no member
4 may have a personal financial or professional interest af-
5 fected by the performance of the duties of the Commission,
6 as determined by the Secretary.

Page 26, after line 26, insert the following new subsection (and redesignate succeeding subsections and any references to such subsections, accordingly)

7 (f) EXPERTS AND CONSULTANTS.— The Commission
8 may procure temporary and intermittent services under
9 section 3109(b) of title 5, United States Code, but at a
10 rates not in excess of the daily equivalent of the annual
11 rate of basic pay payable for level V of the Executive
12 Schedule, for each day during which the individual pro-
13 cured is performing such services for the Commission.

Page 27, after line 10, insert the following new subsection (and redesignate succeeding subsections and any references to such subsections, accordingly):

1 (h) OBTAINING DATA.—The Commission may solicit
2 aggregate loss exposure data from governmental agencies
3 and bodies and organizations that act as statistical agents
4 for the insurance industry. The data shall be aggregated
5 by region and State for each region or State for which
6 contracts for reinsurance coverage under this Act are
7 made available. Notwithstanding any other provision of
8 law, data obtained pursuant to this subsection may be
9 used only for purposes of carrying out the program under
10 this Act and shall not be disclosed to any person who is
11 not an officer or employee of the Commission or the De-
12 partment of the Treasury.

Page 27, line 16, before the comma insert “that cannot timely be covered by amounts obtained pursuant to sections 6(b)(6)(B)(iii) and 7(a)(4)(C)”.

Page 28, after line 6, insert the following new subsection:

13 (j) TERMINATION.—The Commission shall terminate
14 upon the effective date of the repeal under section 12(c).

Page 29, after line 19, insert the following new paragraphs:

1 (8) DISASTER AREA.—The term “disaster area”
2 means a geographical area, with respect to which—

3 (A) a covered peril specified in section 5
4 has occurred; and

5 (B) a declaration that a major disaster ex-
6 ists, as a result of the occurrence of such
7 peril—

8 (i) has been made by the President of
9 the United States; and

10 (ii) is in effect.

11 (9) PRICE GOUGING.—The term “price
12 gouging” means the providing of any consumer good
13 or service by a supplier for a price that the supplier
14 knows or has reason to know is greater, by at least
15 the percentage set forth in a State law or regulation
16 prohibiting such act (notwithstanding any real cost
17 increase due to any attendant business risk and
18 other reasonable expenses that result from the major
19 disaster involved), than the price charged by the
20 supplier for such consumer good or service imme-
21 diately before the disaster.

Page 29, line 24, strike “20-year” and insert “10-year”.

Page 30, strike lines 1 through 14 and insert the following new subsection:

1 (b) EXTENSION.—If upon the expiration of the period
2 under subsection (a) the Secretary, in consultation with
3 the Commission, determines that continuation of the pro-
4 gram for reinsurance coverage under this Act is necessary
5 to carry out the purpose of this Act under section 3(b)
6 because of insufficient growth of capacity in the private
7 homeowners’ insurance market, the Secretary shall con-
8 tinue to provide reinsurance coverage under this Act until
9 the expiration of the 5-year period beginning upon the ex-
10 piration of the period under subsection (a).